

Message Text

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TAGS: EFIN,EEC

SUBJECT: EUROPEAN EXPORT BANK - EC COMMISSION MAKES FORMAL
PROPOSAL

REF: (A) 75 EC BRUSSELS 11491,(B) 75 EC BRUSSELS 06903.

1. BEGIN SUMMARY: THE EC COMMISSION HAS PROPOSED A EUROPEAN EXPORT BANK TO FINANCE EXPORTS INVOLVING MORE THAN ONE MEMBER STATE. THE BANK WOULD HAVE MODEST CAPITAL RESOURCES WHICH IT WOULD SUPPLEMENT BY BORROWING ON CAPITAL MARKETS. THIS PROPOSAL IS A DISCUSSION PAPER DESIGNED TO STIMULATE INTEREST IN THE BANK. IT WILL LIKELY TAKE SEVERAL YEARS BEFORE THE COUNCIL IS READY TO ACT ON SETTING UP A BANK. END SUMMARY.

2. THE EC COMMISSION ON FEBRUARY 19 ANNOUNCED ITS DECISION TO PROPOSE ESTABLISHING A EUROPEAN EXPORT BANK (EEB) TO PROMOTE EXPORTS INVOLVING TWO OR MORE MEMBER STATES. THE COMMISSION NOTES THAT DURING ITS CONSULTATIONS REGARDING AN EEB, THERE WERE DIFFERENCES OF OPINION REGARDING THE DESIRABILITY OF AN EEB AT THIS TIME. SOME GROUP SUPPORT AN EEB WHILE OTHER THOUGHT THERE NEEDED TO BE A GREATER DEGREE OF HARMONIZATION OF EXISTING NATIONAL EXPORT CREDIT SYSTEMS BEFORE LAUNCHING AN EEB. THE COMMISSION WEIGHTED THESE VIEWS AND DECIDED THAT AN EEB WOULD BE THE BEST WAY OF SOLVING THE EXISTING PROBLEM.

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OF INADEQUATE MEMBER STATE COOPERATION IN FINANCING MULTI-

NATIONAL CONTRACTS WITHIN THE COMMUNITY.

3. THE EEB WOULD PROVIDE CREDIT INSURANCE AND HELP TO FINANCE EXPORTS,EITHER DIRECTLY OR INDIRECTLY THROUGH EXISTING FINANCIAL INSTITUTIONS. THE EEB WOLD HAVE AN INITIAL CAPITAL OF 100 MILLION U.A. (ABOUT DOLS 120 MILLION) TO BE PROVIDED BY THE EC BUDGET MOST OF ITS RESOURCES WOULD COME FROM NATIONAL AND INTERNATIONAL FINANCIAL MARKETS,WITH COMMUNITY GUARANTEES UP TO A CEILING TO BE FIXED ANNUALLY IN THE BUDGET. THIS MIXED CAPITAL STRUCTURE SHOULD GIVE THE BANK FLEXIBILITY IN HANDLING LOAN REQUESTS IT WILL ALSO INSURE EFFECTIVE CONTROL OF THE VOLUME OF THE BANK'S LENDING OPERATIONS. THE CAPITAL STRUCTURE WILL BE REVIEWED IN LIGHT OF THE VOLUME OF ITS OPERATIONS.

4. THE EEB WOULD BE MANAGED BY TWO ORGANIZATIONS FIREST,ITS BOARD OF DIRECTORS WOULD DECIDE ON ALL OPERATIONS. THE COMMISSION REPRESENTATIVE COULD VETO THE BOARD'S DECISION IN THE INTEREST OF THE COMMUNITY,BUT THE BOARD,BY A MAJORITY VOTE, COULD REFER AN ISSUE WHICH IS VETOED TO THE EC COUNCIL. SECONDLY,A MANAGEMENT COMMITTEE WOULD PREPARE DECISIONS FOR THE BOARD AND WOULD INSURE THAT THE BOARD'S DECISIONS ARE IMPLEMENTED

5. ALTOUGH THE COMMISSION HAS SUBMITTED A FORMAL PROPOSAL TO THE COUNCIL,COMMISSION OFFICIALS DO NOT CONSIDER IT A DEFINITIVE PROPOSAL.INSTEAD,IT IS DESIGNED TO PROVOKE A REACTION AND TO SUSTAIN INTEREST IN CREATING AN EEB. ESSENTIALLY THIS PROPOSAL SHOULD BE CONSIDERED A DISCUSSION PAPER. COMMISSION OFFICIALS SAY THEY DO NOT EXPECT PROMPT COUNCIL ACTION ON THE PROPOSAL. INSTEAD,THEY EXPECT IT TO BE REFERRED TO EC COMMITTEES FOR FURTHER STUDY. IT WILL BE AT LEAST A YEAR BEFORE THE COUNCIL IS PREPARED TO CONSIDER SERIOUSLY THIS PROPOSAL.

6. ONCE THE MISSION RECEIVES THE COMMISSION'S PROPOSAL IN ENGLISH. IT WILL SEND COPIES TO APPROPRIATE WASHINGTON AGENCIES, INCLUDING CLARK,RPE.

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